07 July 2022

ECONOMIC REVIEW | May 2022 Labour Market

Employment Growth Surged to a New Record High

- *Unemployment rate maintained at pandemic low. Malaysia's labour market remained firm as jobless rate stayed at 3.90%, lowest since Mar-20. Labour force and employment expanded strongly, +2.7%yoy and +3.4%yoy in May-22, the highest expansion rate ever registered. Unemployment continued on contractionary form of double-digit rate for 6-consecutive months. However, robust growth in employment notably driven by employer (+8.9%yoy), self-account worker (+9.4%yoy) and unpaid family workers (+11.6%yoy). Employee segment which represent 76.2% of total employment grew modestly by +1.5%yoy (Apr-22: +1.5%yoy).*
- *Job vacancies signal sanguine outlook. Number of job vacancies remain strong, 460.8K, slightly lower than record high seen in Feb-22. This reflects strong recovery in domestic economic activities fuelled by reflation in local demand and continuous expansion in external sector.*
- *Underpin by domestic reopening and strong economic fundamentals, Malaysia's unemployment rate is projected to trend lower this year to 3.8% in 2022 from 4.6% in 2021. However, the projected jobless rate is still higher than pre-pandemic's 3.4%. Employment growth forecasted at +2.5% (2021: +2.0%) while unemployment to shrink by -15.0% this year (2021: +3.0%). As of 5MCY22, employment growth at +3.1%yoy and unemployment fell by -12.6%yoy.*

Unemployment rate maintained at pandemic low. Malaysia's labour market remained firm as jobless rate stayed at 3.90%, lowest since Mar-20. Labour force and employment expanded strongly, +2.7%yoy and +3.4%yoy in May-22, the highest expansion rate ever registered. Unemployment continued on contractionary form of double-digit rate for 6-consecutive months. However, robust growth in employment notably driven by employer (+8.9%yoy), self-account worker (+9.4%yoy) and unpaid family workers (+11.6%yoy). Employee segment which represent 76.2% of total employment grew modestly by +1.5%yoy (Apr-22: +1.5%yoy). The continued firm expansion in employment and reduction in unemployment were due to the positive effects of upbeat momentum of domestic economy, international borders reopening and steady external sector.

Supportive signal for domestic demand strength. We opine Malaysia's labour market to stay in steady recovery trend as indicated by job-vacancy rate registered at 71.0% in Apr-22, slightly lower than record high 74.9% in Feb-22. As for 2HCY22 outlook, we believe Malaysia's economy to stay in upward trajectory underpin by firming domestic demand, revival of construction projects, expansion of primary sectors amid elevated global commodity prices and steady external trade activities.

Table 1: Summary of Labour Market ('000)

	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Labour Force	**16,336**	**16,366**	**16,403**	**16,439**	**16,503**	**16,538**
YoY%	2.2	2.2	2.2	2.2	2.5	2.7
MoM%	0.2	0.2	0.2	0.2	0.4	0.2
Employment	**15,649**	**15,686**	**15,731**	**15,769**	**15,854**	**15,900**

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	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
YoY%	2.8	2.9	3.0	2.9	3.3	3.4
MoM%	0.2	0.2	0.3	0.2	0.5	0.3
Unemployment	**688**	**680**	**672**	**669**	**649**	**638**
YoY%	(11.0)	(13.0)	(13.6)	(11.2)	(12.6)	(12.4)
MoM%	(1.0)	(1.0)	(1.3)	(0.4)	(3.0)	(1.8)
Outside Labour Force	**7,338**	**7,332**	**7,321**	**7,310**	**7,270**	**7,260**
YoY%	(0.5)	(0.5)	(0.7)	(0.7)	(1.4)	(1.9)
MoM%	(0.1)	(0.1)	(0.2)	(0.2)	(0.5)	(0.1)
Unemployment Rate %	**4.2**	**4.2**	**4.1**	**4.1**	**3.9**	**3.9**

Source: CEIC, MIDFR

Job vacancies signal sanguine outlook. Number of job vacancies remain strong, 460.8K, slightly lower than record high seen in Feb-22. This reflects strong recovery in domestic economic activities fuelled by reflation in local demand and continuous expansion in external sector. More than 50% of the vacancies filled by low-skilled job namely Elementary Occupations. Share of high-skilled jobs improved slightly such as Legislators, Senior Officials & Managers at 4.6% (Mar-22: 3.4%) and Professionals stayed above 7.0% level. By sector, services sector share rose to 40.5%, highest in 4-month. Construction sector booked 13.9%, highest in 19-month while manufacturing sector took another 42.8%. With the international borders reopened, we believe there will be higher job vacancies among others in construction and services sectors.

Table 2: Composition of Job Vacancies by Type & Sector (%)*

	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22
Total Jobs, Thousands	207.5	324.0	358.8	503.2	471.6	460.8
Legislators, Senior Officials & Managers	3.7	4.4	3.5	2.9	3.4	4.6
Professionals	16.0	15.9	9.5	5.9	7.3	7.1
Technicians & Associate Professionals	11.9	12.4	5.7	6.1	5.6	6.4
Clerical Workers	7.2	7.5	5.0	3.8	4.5	3.7
Service, Shop & Market Sales Workers	16.2	16.3	8.5	9.0	8.1	10.9
Skilled Agricultural & Fisheries Workers	0.4	0.5	0.3	1.1	1.0	1.0
Craft and Related Trades Workers	7.4	6.8	6.4	7.6	7.0	7.0
Plant & Machinery Operators & Assemblers	8.3	9.6	9.5	10.2	8.9	9.1
Elementary Occupations	29.1	26.6	51.6	53.4	54.2	50.2
Agriculture, Forestry & Fishing	2.6	2.5	5.3	4.8	3.9	4.6
Mining & Quarrying	0.4	0.2	0.1	0.2	0.1	0.3
Manufacturing	29.9	27.8	50.9	44.9	42.8	40.7
Construction	5.9	7.0	8.1	12.3	13.1	13.9
Services	61.1	62.4	35.6	37.9	40.1	40.5

*Data Available Up Until Apr-22
Source: CEIC, MIDFR

Jobless rate in China fell following relaxation of restrictive measures. After reaching more than 2-year high in Apr-22, unemployment rate in the world's second largest economy decreased to 5.9%. The decline was mainly due to relaxation of restrictive measures imposed in several cities due to Covid-19 cases spike. The unemployment rate however still above the targeted rate of 5.5% for this year. We foresee further improvement in the Chinese labour market in 2HCY22 underpin by further reopening of domestic economic activities. Across the globe, jobless rate in the US and EU remained stable despite inflation risk and global supply chain disruption effects.

Table 3: Global Unemployment Rate (%)

	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Malaysia	4.3	4.2	4.2	4.1	4.1	3.9	3.9
Taiwan	3.7	3.7	3.7	3.7	3.7	3.7	3.7
South Korea	3.1	3.8	3.6	2.7	2.7	2.7	2.8
Hong Kong	4.1	4.0	3.9	4.5	5.0	5.4	5.1
China	5.0	5.1	5.3	5.5	5.8	6.1	5.9
Japan	2.8	2.7	2.8	2.7	2.6	2.5	2.6
Euro Area	7.1	7.0	6.9	6.8	6.8	6.7	6.6
UK	4.1	4.1	3.9	3.8	3.7	3.8	
US	4.2	3.9	4.0	3.8	3.6	3.6	3.6

Source: CEIC, MIDFR

Jobless rate forecast lower at 3.8% for 2022. Labour market in Malaysia is expected to strengthen further in 2HCY22 underpin by upbeat momentum in domestic economy and steady expansion in external sector. In addition, we foresee slight improvement of non-citizen hiring. Employment of the workers had declined by -1.8% in 2020 and -2.9% in 2021 which brought to total of more than 100K leaving the workforce due to the pandemic. Non-citizen worker constitutes about 10% of Malaysia's working population. Underpin by domestic reopening and strong economic fundamentals, Malaysia's unemployment rate is projected to trend lower this year to 3.8% in 2022 from 4.6% in 2021. However, the projected jobless rate is still higher than pre-pandemic's 3.4%. Employment growth forecasted at +2.5% (2021: +2.0%) while unemployment to shrink by -15.0% this year (2021: +3.0%). As of 5MCY22, employment growth at +3.1%yoy and unemployment fell by -12.6%yoy.

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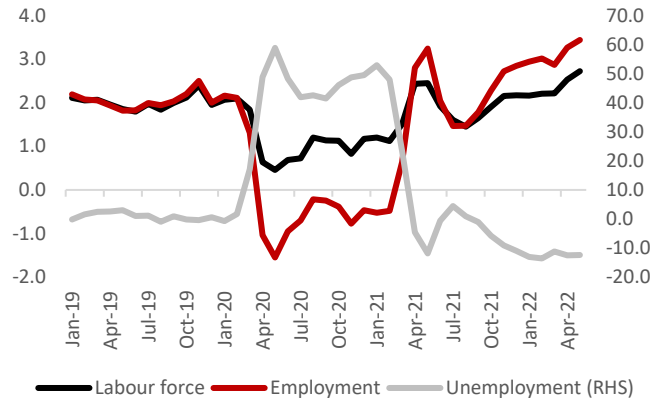
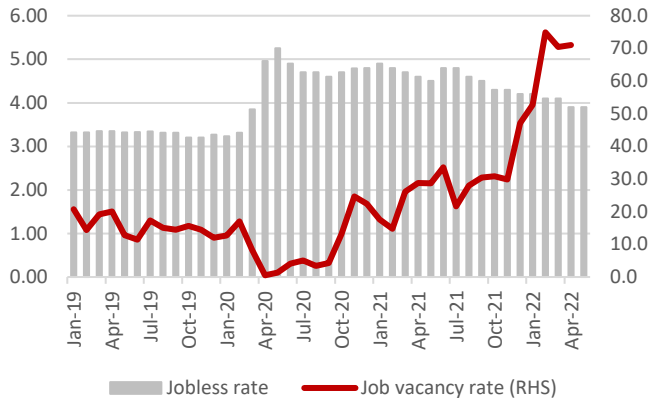
Chart 1: Labour Market Key Indicators (YoY%)



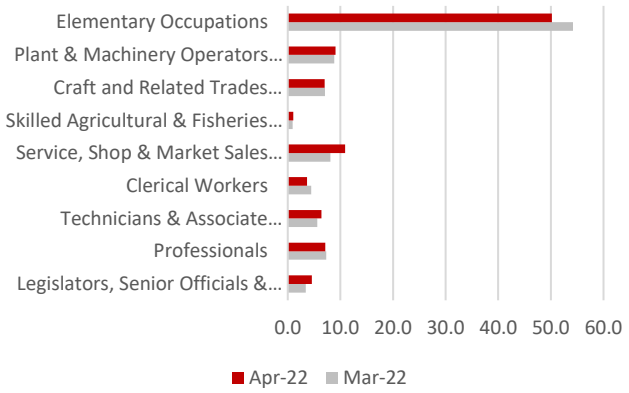
Source: CEIC, MIDFR

Chart 2: Unemployment rate vs. Job vacancy rate (%)



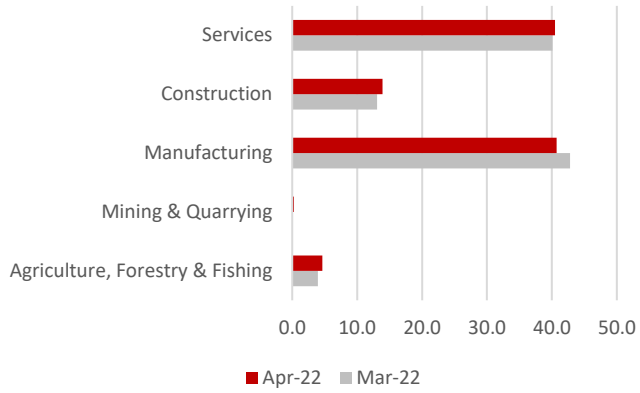
Source: CEIC, MIDFR

Chart 3: Share of Job Vacancies by Type (%)



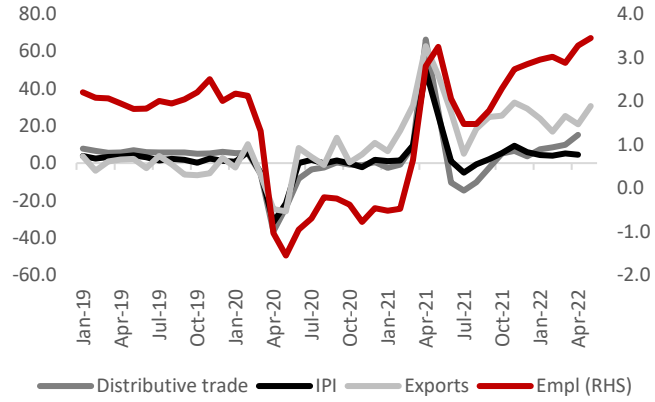
Source: CEIC, MIDFR

Chart 4: Share of Job Vacancies by Sector (%)



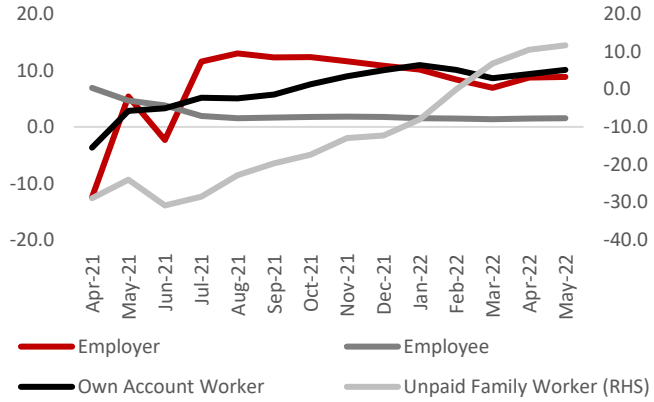
Source: CEIC, MIDFR

Chart 5: Empl. Vs Other Macro Data (YoY%)



Source: CEIC, MIDFR

Chart 6: Employment by Type (YoY%)



Source: CEIC, MIDFR

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